

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Market-Dominant Price Change

Docket No. R2022-1

PUBLIC REPRESENTATIVE COMMENTS

(May 6, 2022)

On April 6, 2022, the Postal Service filed a notice of rate adjustments for market dominant domestic and international products and services, together with proposed classification changes to the Mail Classification Schedule (MCS).¹ By Notice, the Commission established this proceeding on April 7, 2022, to consider the proposed rate adjustments and MCS changes.² The undersigned was appointed as the Public Representative in this proceeding.³

I. INTRODUCTION

The Postal Service is proposing rate adjustments authorized under 39 U.S.C. § 3622 and subject to 39 C.F.R. part 3030 of the Commission's regulations. These are the second market dominant rate adjustments since the Commission's revision of the market dominant ratemaking system pursuant to 39 U.S.C. § 3622(d)(3).⁴

Prior to the issuance of Order No. 5763, market dominant rate adjustments were subject to a price cap, adjusted annually for changes in inflation as determined by the Consumer Price Index for All Urban Consumers (CPI-U). In addition, the Postal Service was

¹ United States Postal Service Notice of Market-Dominant Price Change, April 6, 2022 (Notice).

² Notice and Order on Price Adjustments and Classification Changes for Market Dominant Products, April 7, 2022 (Order No. 6146).

³ *Id.* at 4. Assisting the Public Representative in this proceeding is Katalin K. Clendenin in the Commission's Office of Accountability and Compliance.

⁴ Docket No. RM2017-3, Order Adopting Final Rules for the System of Regulating Rates and Classes for Market Dominant Products, November 30, 2020 (Order No. 5763).

authorized to utilize banked rate authority to increase market dominant prices based on previously unused rate adjustment authority.⁵

Under the rules adopted by Order No. 5763, the Postal Service has received additional rate authority to address three effects not previously permitted: 1. the effects of decreases in mail density (see 39 C.F.R. part 3030, Subpart D); 2. revenue to meet certain retirement obligations (see *id.*, Subpart E), and 3. increased rates for non-compensatory classes or products by an additional two percent (see *id.*, Subpart G). Order No. 5763, Attachment A at 24-39.

The Commission's Order No. 5763 also modified the requirements for workshare discounts. Order No. 5763 at 198-225. They generally prohibit the reduction or increase of workshare discounts that are equal to avoided costs, prohibit the reduction of workshare discounts that are below avoided costs and prohibit the increase of workshare discounts that exceed avoided costs. *Id.* at 198-199. The Postal Service has "several options to address any non-compliant workshare discounts identified in the most recent ACD or any discount being proposed in the rate adjustment proceeding that is low or excessive." *Id.* at 199.

Order No. 5763 also eliminated the earlier requirement that the objectives and factors set forth in 39 U.S.C §3622(b) and (c) would be reviewed by the Commission in its pre-implementation review of market dominant rate adjustments. *Id.* at 255-265.

II. COMPLIANCE WITH PRICE CAP REQUIREMENTS

To determine the Postal Service's rate authority, the Commission first determines the amount of density-based and retirement-based authority available to the Postal Service, and the rate authority, if any, available for non-compensatory mail classes. 39 C.F.R. § 3030.222(b).

On March 29, 2022, the Commission determined that the available amount of density-based rate authority is 0.583 percent, the available amount of retirement-based rate authority is 0.785 percent, and an additional 2 percentage points of rate authority for Periodicals and

⁵ See, e.g., Docket No. R2020-1, United States Postal Service Notice of Market-Dominant Price Change, October 9, 2020, at 4; see also 39 C.F.R. § 3030.505 (July 1, 2020).

Package Services.⁶ The class-specific banked cap space from prior years result in the following total available cap space for each of the Postal Service's five mail classes:

Table 1
Total Available Cap Space by Mail Class

| Class | Total Cap Space (%) |
|---------------------|---------------------|
| First-Class Mail | 6.507 |
| USPS Marketing Mail | 6.505 |
| Periodicals | 8.540 |
| Package Service | 8.511 |
| Special Services | 6.508 |

Source: Notice at 4, Table 3 "Total Available Cap Space."

⁶ Docket No. ACR2021, Determination of Available Market Dominant Rate Authority, March 29, 2022 (Order No. 6130) at 12.

Based upon the total cap space available for each mail class, the Postal Service is making the following percentage price changes by class:

Table 2
Price Changes by Class

| Class | Percent Change |
|---------------------|----------------|
| First-Class Mail | 6.506 |
| USPS Marketing Mail | 6.500 |
| Periodicals | 8.540 |
| Package Services | 8.511 |
| Special Services | 6.441 |

Source: Notice at 5, Table 4, and Response of the United States Postal Service to Chairman's Information Request No. 3 and Notice of Filing under Seal, Question 6.

The unused cap space available to each mail class for future use is:

Table 3
Resulting Unused Cap Space

| Class | Remaining Cap Space (%) |
|---------------------|-------------------------|
| First-Class Mail | 0.001 |
| USPS Marketing Mail | 0.005 |
| Periodicals | 0.000 |
| Package Services | 0.000 |
| Special Services | 0.067 |

Source: Notice at 5 Table 5, and Response of the United States Postal Service to Chairman's Information Request No. 3 and Notice of Filing under Seal, Question 6.

After reviewing the Postal Services Cap Calculation workpapers filed under seal, it appears that the Postal Service's proposed price adjustments do not exceed the price cap authority for any mail class and appear to conform to the requirements of title 39 of the United States Code and 39 C.F.R. part 3030.

III. THE PROPOSED RATES

The Postal Service proposes rate adjustments for postal products in all five market dominant mail classes: First-Class Mail, USPS Marketing Mail, Periodicals, Package Services, and Special Services. See Notice at 6, 11, 19, 22, and 25. The adjusted rates are scheduled to go into effect on July 10, 2022. *Id.* at 1. The Promotions offered by the Postal Service will continue unchanged as part of this rate case. *Id.* at 26. The Postal Service also asserts that it has complied with the pricing requirements for certain preferred categories of mail, discussed below at Part V. *Id.* at 26-28. The Postal Service identifies every change to the MCS needed to implement the planned rate changes in Attachment A to the Notice in legislative format. *Id.* at 28. Various revisions to the proposed MCS changes in Attachment A of the Notice filed by the Postal Service since the initial Notice are noted below.

A. First-Class Mail

The Postal Service proposes a 6.506 percent average increase in First-Class Mail prices. See Notice at 6. The prices for two First-Class Mail products (Single-Piece Letters/Postcards and Inbound Letter Post) will increase less than the class average. Prices for the remaining three First-Class Mail products (Presort Letters/Postcards, Flats, and Outbound Single-Piece First-Class Mail International) are to increase by more than the class average.

The below average increase for Single-Piece Letters/Postcards will be 5.245 percent. Single-Piece Postcards will increase 10 percent to 44 cents from 40 cents. *Id.* at 8. The first-ounce price for Stamped Single-Piece mail will increase only 3.4 percent from 58 cents to 60 cents and the first-ounce price for Metered Single-Piece Mail will increase by 7.5 percent from 53 cents to 57 cents. The Postal Service states that these proposed changes will reduce the differential between stamped mail and metered mail from 5 cents to 3 cents. It notes that the Meter price serves as a benchmark for the largest volume and revenue rate categories with First-Class Mail, *i.e.*, Automation Letters. *Id.* at 6. The additional ounce rate for both stamped and metered mail is to increase from 20 cents to 24 cents and the non-machinable surcharge is to increase by 30 percent from 30 cents to 39 cents. Notice at 7.

The below average increase for Inbound Letter Post of 0.033 percent is based upon minor adjustments to terminal dues applicable in calendar year 2022. *Id.* at 9.

The increase for the Presort Letters/Postcards product is 6.863 percent, slightly above the average increase for First-Class Mail of 6.506 percent. *Id.* at 6, Table 6. Automation Letters represent a significant part of First-Class volume and revenue. *Id.* at 7. The presort Letters/Cards increase is due primarily to the 7.5 percent increase in the first-ounce rate for Metered Single-Piece mail. Other categories in the Presort Letters/Postcards product would increase slightly below the product average with the first ounce of MAADC Automation mail increasing at 6.2 percent, the first ounce for AADC Automation mail increasing at 6.5 percent, and the first ounce of 5-Digit Automation increasing at 6.8 percent. *Id.* The Postal Service states that while 5-Digit Automation volume declined slightly in FY 2021, its proportion of all automation Letters increased to 73.4 percent in FY 2021, up from 67.3 percent in FY2017. *Id.*

The overall increase for Flats is 9.2 percent (the overall increase for Single-Piece Flats is 9.1 percent). This includes an increase of at least 2 percentage points above the class average because Flats coverage fell below 100 percent as reported in the FY2021 Annual Compliance Determination. The one-ounce Single-Piece Flat rate increase of 3.4 percent to \$1.20 would remain at twice the price of a Single-Piece Letter. The additional ounce would increase to 24 cents from 20 cents. *Id.* Presorted Flats would increase 9.4 percent. *Id.* The proposed increases in Flats rates in this docket together with the previous 10.3 percent increase in Docket No. R2021-2 is anticipated to recover Flats costs and be compensatory. *Id.* at 8.

Changes in QBRM are proposed to encourage movement from Business Reply Mail (BRM) to QBRM. These changes include increasing the weight limit and uniform pricing up to 3.5 ounces. This will reduce manual counting and improve customer experience and move more mail to intelligent mail (IMbA). *Id.* The increased weight limit will allow a larger volume of mailpieces to be counted and invoiced on mail processing equipment and increase the speed of presentment to customers. The Postal Service also claims it supports future

enhancements to improve processing, handling and delivery time of QBRM and Business Reply Mail pieces. Response to CHIR No. 2, April 21, 2022, Question 2.⁷

Also planned is the same price structure for letter and flat-shaped Presort Digital Video Disc (DVD) as is available for Nonautomation Presort Letters disaggregated into separate categories like its Marketing Mail counterparts. Notice at 8.

The above average price increase for Outbound Single-Piece First-Class Mail International (FCMI) product is 7.372 percent. See *Id.* at 6, Table 6. That increase includes increases for Single-Piece FCMI letters, cards, and flats. Notice at 9. No reason is provided for the above-class-average price increase for the product.

Based upon review of the Notice and supporting information, the Public Representative concludes that the proposed First-Class Mail prices are consistent with the price cap.

B. USPS Marketing Mail.

The Postal Service proposes a 6.500 percent change in overall USPS Marketing Mail prices. See Table 2, *supra*. Four of the USPS Marketing Mail products are to increase less than the 6.500 percent class average: Letters (6.151 percent), High Density/Saturation Flats and Parcels (4.769 percent), and Every Door Direct Mail – Retail (-6.500 percent).

Because the Commission has found that three Marketing Mail products did not cover their costs, their prices are being raised by a minimum of 2 percentage points above the class average.⁸ Therefore, the prices for Marketing Mail Flats are raised by 8.543 percent, Parcels by 9.785 percent, and Carrier Route by 8.657 percent while the Letters product with 61 percent of Marketing Mail revenue is receiving an increase of 6.151 percent, slightly below the class average of 6.500 percent. Notice at 11. High Density Letters increase by 8.326 percent, more closely aligning with other presort price levels. *Id.* at 12.

DMLs (advertising) increase from 7 cents to 8 cents, a 14.3 percent increase, but DALs (public service messages) remain at 6.5 cents. *Id.*

⁷ Response of the United States Postal Service to Chairman's Information Request No. 2, Questions 1-6, 8, and 9, April 21, 2022 (Response to CHIR No. 2, April 21, 2022).

⁸ FY 2021 Annual Compliance Determination at 50.

New discounts are proposed for certain flat shaped pieces in 5-digit (direct) containers (pallets, sacks, and tubs) and discounts are extended for Carrier Route and High Density flat-shaped pieces on 5-Digit (direct) pallets to all 5-Digit (direct) sacks and tubs. Pursuant to 39 C.F.R 3030.123(h)(1), these discounts are expected to reduce the number of SCF pallets and other containers that require bundle sortation in mail processing facilities and delivery units. *Id.* at 12-13. The Postal Service asserts this is consistent with the Commission approved discount for High Density Flats on 5-digit (direct) pallets in Docket No. R2021-2.⁹ It also claims that neither the rates nor the service will affect users of postal services that do not take advantage of them. *Id.* at 14. The rate for High Density Flats not on 5-Digit Pallets (direct) remains available. *Id.*

Based upon review of the Notice and supporting information, the Public Representative concludes that the proposed prices for USPS Marketing Mail are consistent with the adjusted price cap.

C. Periodicals.

The Postal Service proposes an overall increase in Periodicals prices of 8.540 percent. See Table 2 *supra*. These price increases result from two additional percentage points of rate authority made available because Periodicals is a non-compensatory class, covering only 53.2 percent of costs. See FY 2021 ACD at 27. The increases for the two products in this class—In-County Periodicals and Outside County Periodicals—are discussed further in Section VII, Non-Compensatory Products, below.

The Postal Service set prices for Periodicals that incorporate three strategies aimed at improving cost coverage: 1. an increase in editorial pound prices intended to recapture lost revenue due to the shifting of pounds from advertising to editorials; 2. reducing tub prices relative to sack prices to encourage more efficient mail handling; and 3. increasing the Carrier Route price differentials. *Id.* at 19. Additionally, the Postal Service lowered the

⁹ *Id.* at 13. The Postal Service describes in detail the analysis supporting the new discounts as extending cost models used for Marketing Mail Flats and Carrier Route flats previously filed as USPS-FY21-11 in Docket No. R2021-2. See *Id.* at 13-14.

Science of Agriculture pound prices in Zones 3-9 to create a uniform price for all zones. *Id.* at 19.

Based upon review of the Notice and supporting information, the Public Representative concludes that the proposed prices for Periodicals are consistent with the adjusted price cap.

D. Package Services.

The Postal Service proposes an overall increase in Package Services prices of 8.511 percent. See Table 2, *supra*. The Commission determined that attributable costs for the Package Services class exceeded revenue in its FY 2021 ACD. Therefore, the proposed Parcel Services rates add 2 percentage points to the underlying pricing authority to improve class cost coverage, and the Postal Service uses nearly all its cap space for Parcel Services. *Id.* at 22. BPM Parcels receive the largest percentage rate increase of 10.516 percent. *Id.* Media/Library Mail rates increase 8.9 percent and will likely improve cost coverage which was only 84.3 percent. *Id.* at 23. BPM Flats receive a below average increase of 4.2 percent to balance out the other increases above the rate cap. *Id.* Alaska Bypass receives an increase of 6.533 percent, below the class average of 8.511 percent.

Based upon review of the Notice and supporting information, the Public Representative concludes that the proposed prices for Package Services are consistent with the adjusted price cap.

E. Special Services.

The Postal Service proposes a 6.441 percent change in Special Services prices. See Table 2, *supra*. Of the nine Special Services products listed in Table 16 of the Notice, only Money Orders was found in the FY 2021 ACD not to cover attributable costs. The rate increase for that product must be at least 2 percentage points above the class average and the increase is proposed to be 14.377 percent. *Id.* at 25. Of the remaining 8 Special Services products, the increases for 5 products are slightly below the class average (including Credit Card Authorization with zero increase) and three products with percentage increases slightly above the class average. The above-average increase proposed for Money Orders is discussed in Section VII.A.5, below.

Based upon review of the Notice and supporting information, the Public Representative concludes that the proposed prices for Package Services are consistent with the adjusted price cap.

IV. WORKSHARE DISCOUNTS

The workshare rules set out requirements for adjusting workshare discounts. The rules prohibit moving discounts further from avoided cost as follows: workshare discounts that already equal 100 percent of avoided cost may not be changed; workshare discounts that exceed avoided costs may not be increased; and that workshare discounts that fall short of avoided cost may not be decreased. 39 C.F.R. § 3030.282. In most cases, the rules specify a minimum adjustment to workshare discounts that the Postal Service must make to improve the alignment of discounts with avoided cost. See 39 C.F.R. §§ 3030.283 and 3030.284. However, §3030.284 (e) allows the Postal Service to set workshare discounts below 100 percent passthrough, if the passthrough for the proposed discount is at least 85 percent.

In its Notice, the Postal Service discusses workshare discounts for four mail classes—First-Class Mail, USPS Marketing Mail, Periodicals, and Package Services. There are no workshare discounts for Special Services.

A. First-Class Mail

Eight First-Class Mail workshare discounts passthrough 100 percent of avoided cost. See Notice, Attachment B, Tab: “FCM Flats.” Six passthroughs are between 85 and 100. See Notice, Attachment B, Tab: “FCM Single Piece Letters, Cards,” Tab: “FCM Bulk Letters, Cards,” and Tab: “FCM Flats.” Two passthroughs are below 85 percent (Automation Mixed AADC Letters and Nonautomation Machinable Mixed AADC Letters).

The Public Representative finds that the proposed workshare discounts for First-Class Mail comply with the Commission’s rules. The increase in the discounts (22 percent) for both Automation Mixed AADC Letters and Nonautomation Machinable Mixed AADC Letters exceeds the minimum adjustment required under §3030.284(c).

B. USPS Marketing Mail

No workshare discounts for USPS Marketing Mail exceed avoided cost. The Postal Service set thirty USPS Marketing Mail workshare discounts equal to avoided cost. See Notice, Attachment B, Tab: “USPS MM Letters”, Tab: “USPS MM Flats Prst Prebcd”, Tab: USPS MM Prcls & Mkt Prcls”, and Tab: “USPS MM Carrier Route”. Fourteen discounts have passthroughs between 85 and 100 percent. Notice at 15 (citing Attachment B Tabs beginning with “USPS MM...”). Seven passthroughs, discussed below, are below 85 percent.

1. Non-Automation AADC Machinable Letters

The passthrough for Non-automation AADC Machinable Letters is 53.3 percent. The Postal Service increased the existing discount by more than the minimum 20 percent increase required by 39 C.F.R. § 3030.284(c). Therefore, the Public Representative finds that the proposed discount for Non-automation AADC Machinable Letters is consistent with worksharing rules.

2. DNDC Carrier Route Flats

The Postal Service set the DNDC Carrier Route Flats dropship discount at 66.1 percent passthrough. The discount is more than 20 percent greater than the existing discount as required by 39 C.F.R. § 3030.284(c). As such, the Public Representative finds that the proposed discount for DNDC Carrier Route Flats is consistent with worksharing rules.

3. DSCF Carrier Route Flats

The Postal Service proposes to increase the existing DSCF Carrier Route Flats dropship discount by more than 20 percent, resulting in a 75.6 percent passthrough. Since the proposed discount satisfies 39 C.F.R. § 3030.284(c), the Public Representative finds that the proposed discount for DNDC Carrier Route Flats is consistent with the Commission’s workshare rules.

4. High Density Letters

Only one out of three proposed workshare discounts within Marketing Mail High Density and Saturation Letters falls below 85 percent passthrough, compared with two

existing discounts with passthroughs below 85 percent. The Public Representative finds that all three proposed discounts are consistent with the Commission's worksharing rules.

5. High Density Flats on 5-Digit (Direct) pallets

The proposed discount for High Density Flats on 5-Digit (direct) pallets passes through 54.5 percent of the costs avoided by the Postal Service. The Postal Service increased the discount by more than the 20 percent, consistent with 39 C.F.R. § 3030.284(c). Therefore, the Public Representative finds that the discount is permissible under the Commission's rules.

6. High Density Plus Flats on 5-Digit (Direct) Containers

The proposed discount for High Density Plus Flats on 5-Digit (direct) pallets passes through 45.4 percent of the costs avoided by the Postal Service. While the discount is permissible under §3030.284, paragraph (3), which allows new workshare discounts to be set below 85 percent passthrough, the Public Representative questions the rationale for setting the discount so far below avoided cost. It seems unlikely that such a small discount would influence mailer behavior, and thus it only serves to provide additional discounts to mailers already engaged in the workshare activity. And, although the Commission's rules require incremental improvements towards efficiency, if the Postal Service adjusts discounts by the minimum amount permissible under the Commission's rules, it could take several years to bring discounts in line with the costs avoided. The Public Representative encourages the Postal Service to exceed the minimum adjustment permissible in future rate adjustments.

7. Saturation Flats on 5-Digit (Direct) Containers

The workshare discount for Saturation Flats on 5-Digit (direct) pallets passes through 31.8 percent of the costs avoided by the Postal Service. As this discount is new, it is permissible under §3030.284, paragraph (3). However, like the discount for High Density Plus Flats on 5-Digit (direct) pallets, the discount for Saturation Flats on 5-Digit (direct) pallets does little to incentivize more efficient preparation of mail because the discount does not reflect the difference in processing between Saturation Flats on 5-Digit pallets, and other Saturation Flats. The Public Representative recommends that the Postal Service exceed the

minimum required adjustment to the discount in future rate adjustments, to bring the discount in line with the costs avoided more quickly.

C. Periodicals

No Periodicals workshare discounts exceed avoided cost. Twenty-one Periodicals workshare discounts pass through between 85 and 100 percent of avoided cost. See Notice, Attachment B, Tab: "Passthrough Outside County." Nine passthroughs are set below 85 percent. See Notice, Attachment B, Tab: "Passthrough Outside County", and Tab: "Passthroughs_WC." For each of the nine discounts with passthroughs set below 85 percent, the Postal Service increased the existing discounts as follows:

1. Outside County Saturation by 22.2 percent
2. Within County 3-Digit Presort by 20.7 percent
3. Within County 5-Digit Presort by 20.5 percent
4. Within County CR Basic by 20.4 percent
5. Within County High Density by 23.8 percent
6. Within County Saturation by 25.0 percent
7. Within County Basic Automation Flats by 21.1 percent
8. Within County 3-Digit Automation Flats by 21.7 percent
9. Within County DDU by 20.0 percent

Because Periodicals discounts are provided in connection with a subclass of mail consisting exclusively of mail matter of educational, cultural, scientific, or informational value (39 U.S.C. 3622(e)(2)(C)), the new worksharing rules permit the Postal Service to provide information specified in §3030.285, paragraphs (c)(1) through (3), in lieu of setting workshare discounts in accordance with provisions appearing in §3030.283(b) through (d) and §3030.284(b) through (d). However, in the instant docket, the Postal Service opted to either set workshare discounts in the 85 percent to 100 percent range or to adjust workshare discounts by at least 20 percent, the minimum prescribed by 39 C.F.R. § 3030.284.

The Public Representative finds that the proposed discounts are consistent with the workshare rules, and more closely adhere to ECP principles than the existing Periodicals discounts.

D. Package Services

Two Package Services workshare discounts (the dropship discounts for Basic, Carrier Route DNDC Flats and Basic, Carrier Route DSCF Flats) passthrough 100 percent of avoided cost. See Notice, Attachment B, Tab: “Bound Printed Matter Flats.” All other Package Services passthroughs are set between 85 and 100 percent. See Notice, Attachment B, Tab: “Bound Printed Matter Parcel”, Tab: Bound Printed Matter Flats”, and Tab: Media Mail & Library Mail.

The Public Representative finds that the proposed Package Services workshare discounts comply with the Commission’s rules and represent an improvement towards the Commission’s goal to increase adherence to ECP principals.

V. PREFERENTIAL RATES

A. Periodicals

The Public Representative has reviewed the Postal Service’s Notice for compliance with the required statutory preferential rates for certain preferred mail categories.

For Periodicals, there are several requirements for the preferred categories. The Postal Service states that prices for Within County Periodicals reflect their preferred status by keeping the prices of Within County Periodicals below the prices of regular Outside County Periodicals. Notice at 34; see 39 U.S.C. § 3626(a)(3). The Postal Service also states that the proposed rates comply with the requirement that Nonprofit and Classroom Periodicals receive a 5 percent discount on all components of postage except for advertising pounds and ride-along postage. *Id.*; see 39 U.S.C. § 3626(a)(4)(A). The Postal Service further states that the Science of Agriculture Periodicals receive the required preferential treatment of at least 75 percent of the advertising pound rates for regular Outside County Periodicals. Rates

for advertising pound rates for Destination Delivery Unit (DDU), Destination Sectional Center Facility (DSCF) and Destination Area Distribution Center (DADC) are 74.8 percent of the rates applicable to regular Outside County Periodicals. Notice at 27. Finally, the limited circulation discount for Periodicals provides for preferential treatment for Periodicals with fewer than 5,000 Outside County pieces and at least one In-County piece. Those pieces will continue to receive a discount equivalent to the Nonprofit Classroom Periodicals discount. *Id.* at 28; 39 U.S.C. § 3626(g)(4)(C).

B. Marketing Mail

For Marketing Mail, nonprofit rates must yield per-piece revenue that equal, as nearly as practicable, 60 percent of the estimated commercial average per-piece revenue. 39 U.S.C. § 3626(a)(6)(A). The Postal Service Notice states that the proposed prices achieve a revenue per piece ratio of 59.8 percent calculated at the class level, consistent with past practice. *Id.* at 27. It also states that nonprofit discounts are being maintained “equal to the comparable commercial discounts.” *Id.*

C. Package Services

For Package Services, Library Mail must be as nearly as practicable to 95 percent of the Media Mail prices. The Postal Service states that the requirement is met by setting each Library Mail element equal to 95 percent of the corresponding Media Mail rate element. *Id.*; 39 U.S.C. § 3626(a)(7).

After review of the Preferential rates requirements, the Public Representative concludes that the Postal Service fulfills the requirements of 39 U.S.C. § 3626(a)(3), (a)(4)(A), (a)(5), (g)(4)(C), (a)(6)(A), and (a)(7).

VI. PROMOTIONS

The Postal Service states that Promotions offered in 2022 are not being changed as part of this rate case. *Id.* at 26.

VII. NON-COMPENSATORY PRODUCTS

In its FY 2021 Annual Compliance Determination, the Commission found nine products to be non-compensatory. Five of the non-compensatory products are in the compensatory mail classes. The five are First-Class Mail Flats, USPS Marketing Mail Flats, USPS Marketing Mail Carrier Route, USPS Marketing Mail Parcels, and Money Orders. The remaining four non-compensatory products are in the non-compensatory Periodicals and Package Services mail classes. FY 2021 ACD at 2-3.

A. Non-Compensatory Products Within Compensatory Classes

The five non-compensatory products that are in compensatory mail classes are: Inbound Letter Post, USPS Marketing Mail Flats, USPS Marketing Mail Parcels, USPS Mail Carrier Route, Money Orders. *Id.*

Section 3030.221 of the regulations adopted by Order No. 5763 requires, in general, that the Postal Service shall increase the rates for non-compensatory products within a compensatory mail class by a minimum of two percentage points above the percentage increase for that class. See 39 C.F.R. § 3030.221. An exception is provided for non-compensatory products for which the Postal Service lacks independent authority to set rates, such as rates set by treaty obligation. *Id.*

1. International First-Class Mail

Inbound Letter Post is a market dominant product within First-Class Mail. In the FY 2021 ACD, the Commission found that its cost coverage increased from 87.98 percent in FY 2020 to 122.10 percent in FY 2021 and was compensatory. FY 2021 ACD at 44, Table III-8.

In the case of Inbound Letter Post, the rates are governed by UPU treaty obligations and the Postal Service lacks independent authority to set the rates. The Postal Service has proposed a 0.033 percent increase for International Inbound Letter Post based upon minor adjustments to terminal dues adopted by the UPU applicable to calendar year 2022. Notice at 9. This proposed increase complies with the FY 2021 ACD and with 39 C.F.R. § 3030.221.

2. USPS Marketing Mail Flats

In the FY 2021 ACD, the Commission found that the cost coverage for USPS Marketing Mail Flats had fallen to 60.3 percent, 3 percentage points lower than the prior year. FY 2021 ACD at 51. The Commission directed the Postal Service to propose a price increase that is at least two percentage points above the class average for the USPS Marketing Mail class. *Id.* at 60, 61.

In its Notice, the Postal Service proposes an increase of 8.543 percent, slightly more than two percentage points above the class average of 6.500 percent. Notice at 11. This proposed increase complies with the FY 2021 ACD and with 39 C.F.R. § 3030.221.

3. USPS Marketing Mail Parcels

In the FY 2021 ACD, the Commission found that the cost coverage for USPS Marketing Mail Parcels had fallen to 73.1 percent, down 3.4 percent from the year before. FY 2021 ACD at 65. The Commission directed the Postal Service to propose a price increase that is at least two percentage points above the class average for the USPS Marketing Mail class. *Id.* at 69.

In its Notice, the Postal Service proposes an increase of 9.785 percent, more than two percentage points above the class average of 6.500 percent. Notice at 11. This proposed increase complies with the FY 2021 ACD and with 39 C.F.R. § 3030.221.

4. USPS Marketing Mail Carrier Route

In the FY 2021 ACD, the Commission found that the cost coverage for USPS Marketing Mail Carrier Route had fallen to 94.6 percent from 96.2 percent the year before. FY 2021 ACD at 62. The Commission directed the Postal Service to propose a price increase that is at least two percentage points above the class average for the USPS Marketing Mail class. *Id.* at 65.

In its Notice, the Postal Service proposes an increase of 8.657 percent, slightly more than two percent above the class average of 6.500 percent. Notice at 11. This proposed increase complies with the FY 2021 ACD and with 39 C.F.R. § 3030.221.

5. Money Orders

In the FY 2021 ACD, the Commission found that the cost coverage for Money Orders had fallen to 88.5 percent from 97.7 percent the year before. See FY 2021 ACD at 70. The Commission recommended that the Postal Service propose an above average price increase consistent with 39 C.F.R. § 3030.221. *Id.* at 71.

In its Notice, the Postal Service proposes an increase of 14.377 percent, substantially above the class average of 6.442 percent. Notice at 25. This proposed increase complies with the FY 2021 ACD and with 39 C.F.R. § 3030.221.

B. Non-Compensatory Products Within Non-Compensatory Classes

The four noncompensatory products that are in non-compensatory mail classes are: Periodicals In-County, Periodicals Outside County, and the Package Services products of Media Mail/Library Mail and Bound Printed Matter (BPM) Parcels. *Id.*

1. The Periodicals Class

In the FY 2021 ACD, the Commission found that the Periodicals class was non-compensatory, covering only 53.2 percent of its costs. FY 2021 ACD at 27. Both products in the Periodicals class—In-County Periodicals and Outside County Periodicals—are non-compensatory. FY 2021 ACD at 2.

On March 29, 2022, in Order No. 6130 the Commission determined that an additional two percentage points of rate authority is available under 39 C.F.R. § 3030.222(b). By virtue of Order No. 6130, the Postal Service has 8.540 of available cap space for the Periodicals class. See Notice at 4, Table 3. Exercise of this additional rate authority is optional at the discretion of the Postal Service. 39 C.F.R. § 3030.222(a). The Postal Service has chosen to use 8.540 percent of the available cap capacity, banking 0.000 percent. See Notice at 4-5, Tables 4 and 5, and 19.

a. In-County Periodicals

In-County Periodicals will be increased by 7.750 percent, which is below the class average of 8.540 percent. See Response to CHIR No. 2, April 21, 2022, Question 6.

b. Outside County Periodicals

Outside County Periodicals will be given a higher above-average increase of 8.582 percent, above the class average of 8.540 percent. *Id.*

2. The Package Services Class

In the FY 2021 ACD, the Commission found that the Package Services class covered 93.5 percent of attributable costs, up from 92.5 percent in FY 2020. See FY 2021 ACD at 36, Table III-4. The entire class was non-compensatory because of two non-compensatory products—Media Mail/Library Mail and Bound Printed Matter (BPM) Parcels. *Id.*

In Order No. 6130, the Commission determined that an additional two percentage points of rate authority is available for Package Services under 39 C.F.R. § 3030.222(b). Order No. 6130 at 12. The Postal Service has 8.812 of available cap space for the Periodicals class. See Notice at 4 Table 3. Exercise of this additional rate authority is optional at the discretion of the Postal Service. 39 C.F.R. § 3030.222(a). The Postal Service has chosen to use 8.511 percent of the available cap capacity.

a. Media Mail/Library Mail

In the FY 2021 ACD, the Commission found that the cost coverage for Media Mail/Library Mail was 84.3 percent. FY 2021 ACD at 36 Table III-4. The Commission recommended that the Postal Service continue to propose above-average price increases in its rate adjustment proceedings. *Id.* at 43. In its Notice, the Postal Service proposes an increase of 10.865 percent which is over 2 percent above the class average of 8.9 percent. Notice at 23. This proposed increase complies with the FY 2021 ACD and with 39 C.F.R. § 3030.221.

b. Bound Printed Matter (BPM) Parcels

In the FY 2021 ACD, the Commission found that the cost coverage for BPM Parcels had increased slightly to 94.6 percent, up from 94.0 percent. FY 2021 ACD at 37. The Commission directed the Postal Service to increase BPM Parcels by at least 2 percentage points above the class average in each market dominant rate case through the issuance of the FY 2022 ACD. *Id.* at 40. In its Notice, the Postal Service proposes an increase of 10.5 percent, more than 2 percent above the class average of 8.511 percent. Notice at 22. The

Commission recently rejected the Postal Service's request to transfer BPM Parcels to the Competitive product list.¹⁰ The proposed increase complies with the FY 2021 ACD and with 39 C.F.R. § 3030.221.

VIII. MAIL CLASSIFICATION SCHEDULE REVISIONS

The Response to CHIR No. 2, Question 4¹¹ lists several corrections to Attachment A to the Notice.¹² They include new text related to containerization workshare discounts (Revised Attachment A at 51) and a revised price for Forwarding-and-Return Service of \$0.54 for forwarded letters (*Id.* at 63). Other minor typographical corrections to the MCS are explained in the Table attached to the Response to Question 4 of CHIR No.2. Also attached to the Response to Question 4 of CHIR No. 2 are Revised MCS Pages for Attachment A, Revised 4-21-22, highlighting other minor corrections to MCS pages 4, 18, 49, 68, and 96.

Additional revisions to proposed MCS pages relating to automation and Nonautomation Flats, Nonmachinable Letters, and Customized MarketMail were filed in Response to CHIR No. 4.¹³ Response to CHIR No. 4, Question 2, Revised MCS Pages for Attachment A, April 29, 2022, Revised pages 66-73.

¹⁰ See Docket No. MC2021-78, Order Denying Request to Transfer Bound Printed Matter Parcels to the Competitive Product List, February 10, 2022, Order No. 6105.

¹¹ Response to CHIR No. 2, April 21, 2022.

¹² See United States Postal Service Notice of Filing Updated Mail Classification Schedule Language, April 12, 2022, Attachment A (Revised Attachment A).

¹³ Responses of the United States Postal Service to Chairman's Information Request No. 4, April 29, 2022 (Responses to CHIR No. 4).

IX. CONCLUSION

The Public Representative respectfully submits to the Commission the foregoing Comments in this proceeding.

Respectfully submitted,

Kenneth E. Richardson
Public Representative

Katalin K. Clendenin
Assisting the Public Representative

901 New York Avenue, N.W.
Suite 200
Washington, D.C. 20268-0001
Phone: (202) 789-6859
kenneth.richardson@prc.gov